

Iowa Department of Human Services

Offer #401-HHS-002: Child Support Recovery Unit

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This offer includes the following appropriations:

Child Support Recovery, General Administration

Program Description:

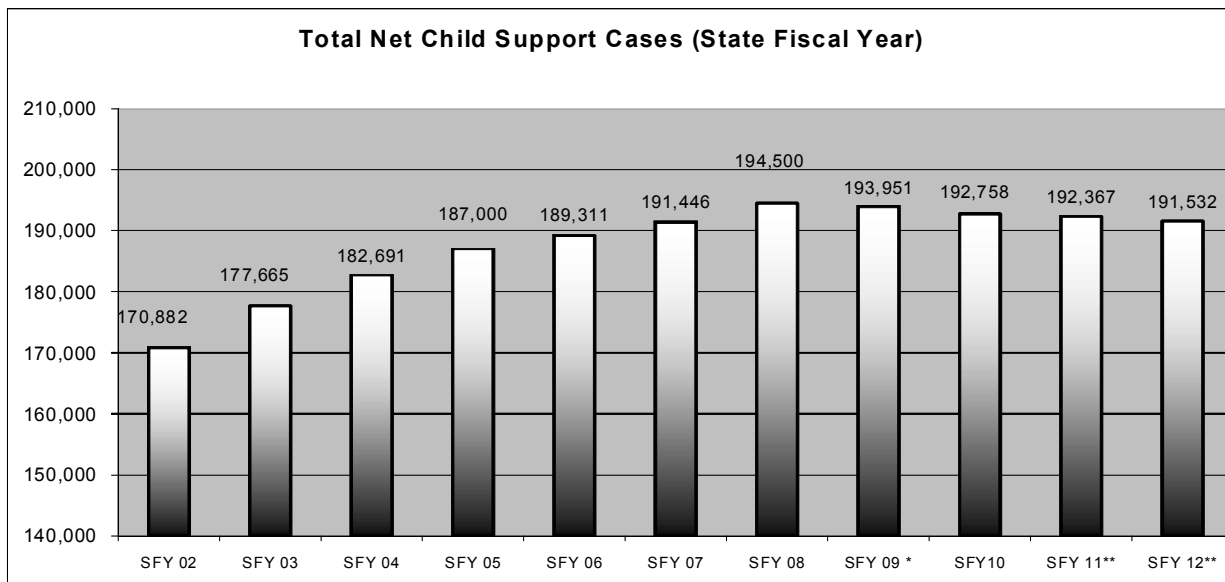
Who:

As required by Federal state plan requirements, the Child Support Recovery Unit (CSRU) serves people who are currently receiving medical assistance. Also served are people who are currently receiving FIP, who formerly received FIP, or who never received FIP and apply for our services and pay a \$25 application fee.

In SFY 2010, CSRU served 678,508 parents and children on 192,758 cases. Of these:

- 11 % are currently receiving FIP
- 55 % formerly received FIP
- 34 % never received FIP

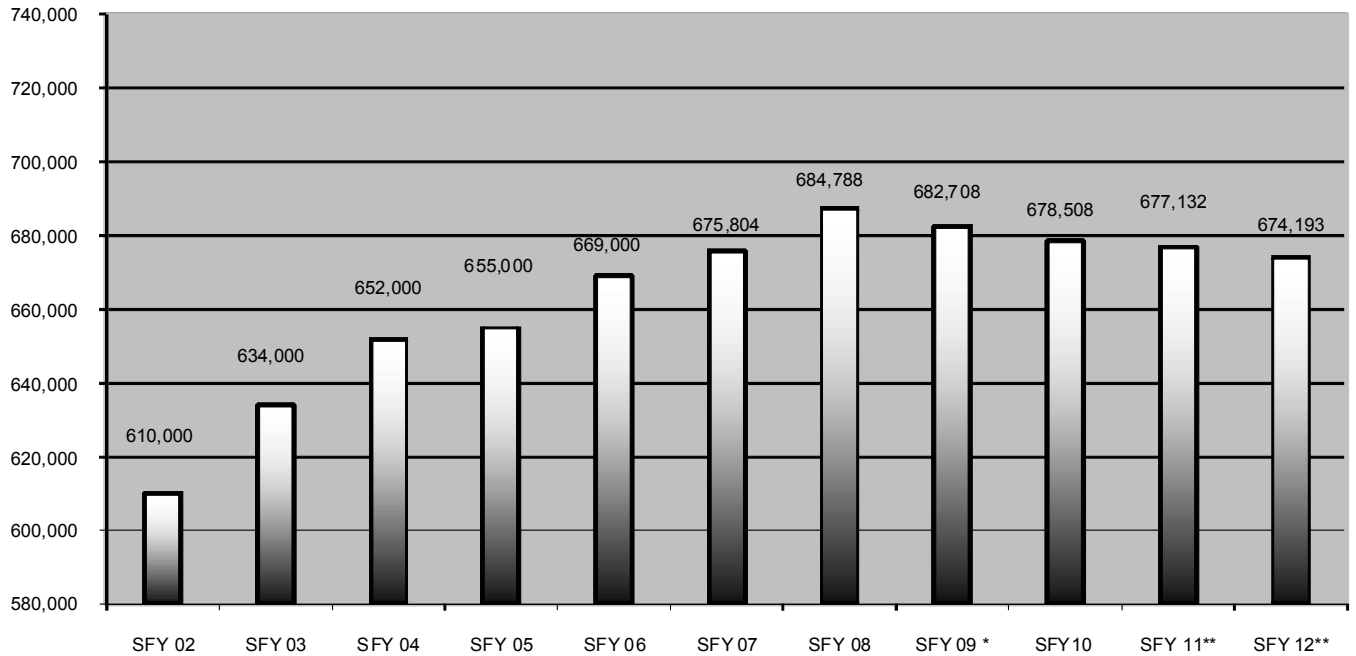
In SFY 2011, CSRU expects to serve 192,367 cases, serving 677,132 parents and children. By 2012, we expect leveling of the caseload as the result of giving parents who receive Medicaid benefits the choice of receiving services from Child Support Recovery. This change is effective August 1, 2010.



* Refined method for removing duplicated caseload.

** Projected caseloads.

Number of Parents and Children Served by CSRU (State Fiscal Year)



* Refined method for removing duplicated caseload.

** Projected caseloads.

What:

All states participating in the FIP/TANF and IV-E foster care programs must have a child support recovery program. CSRU locates staff across the State to ensure compliance with Federal and State requirements for establishment and enforcement of child and medical support. The State's required match for operating costs of the program is 34%.

CSRU establishes paternity in out-of-wedlock births so that two parents are legally responsible for the children, as well as establishing child support and medical orders, which creates the legal authority to collect support and enforce health insurance for children. Collections for public assistance families are assigned to the State to help reimburse taxpayer costs. Customers can apply to have child and medical support orders modified. There are also limited special services to facilitate access and visitation and other parental activities to address barriers to the payment of support.

Given the current economic condition and challenges that arise in working with families who are struggling as a result of lost or reduced employment, CSRU must find ways to continue to establish and enforce court ordered child support obligations for the children and families that we serve. CSRU has seen an increase in the number of customers who are seeking requests for modification of their child support orders to be more in line with their ability to pay. There is a growing need to work with CSRU customers on a more individual basis during these difficult economic times in order to ensure the needs of all are met.

The complexities surrounding the federal mandate to seek orders for medical support from either parent who has affordable health insurance continue to remain a challenge for the program. Changes at the federal level related to health care reform are anticipated to change how the CSRU currently establishes and enforces medical support in the future.

Establish paternity so that children have two parents legally responsible for their care.

For those children born outside of marriage, paternity can be established in one of three ways by: signing a paternity affidavit, obtaining an administrative paternity order, or judicially establishing paternity.

CSRU provides training and information to many Iowa hospitals to educate hospital staff about the importance of encouraging parents to complete a paternity affidavit, which legally establishes paternity at the time of a child's birth. CSRU also assists parents in completing paternity affidavits in the local offices. If a paternity affidavit is officially filed with the Bureau of Vital Records, CSRU can proceed to pursue a support obligation for that child.

| Action | SFY 2010 | SFY 2009 |
|---|----------|----------|
| Paternity affidavits filed for all children born out of wedlock in Iowa | 9,649 | 9,177 |

Secure an order for support so that both parents have a legal duty to provide support.

Court orders are the legal basis needed before support can be collected. Support can be established at the same time as a paternity order, or if paternity is already legally established, support can be obtained administratively or judicially. Orders that are established include both child support and medical support obligations.

| Action | SFY 2010 | SFY 2009 |
|--|----------|----------|
| Orders established for paternity and support | 6,341 | 8,618 |
| Total number of court ordered cases | 163,354 | 164,781 |
| Number of cases with medical support ordered | 102,910 | 100,462 |

Improve the percentage of child support collected in the month due so that a delinquency does not occur.

Child support collections help families with children be self-sufficient. In order to do this, states must be able to locate payors and payors' income providers and assets and then identify and implement the processes that can be used to secure support. To assist as many families as possible, states must first have a high percentage of cases with orders established. Then, those states that also have a high percentage of current support collections are helping the most families become self-sufficient. Of the thirteen states with the highest percentage of court ordered cases, Iowa ranks fifth in the percentage of current child support collected when the family needs it most, in the month it is due. Iowa is consistently ranked among the top 10 states for child support program performance.

**States with the Highest Percentage of Court
Ordered Cases
FFY 2008 –Audited Data***

| | Percent of cases with orders |
|----------------------|-------------------------------------|
| Alaska | 93.23% |
| South Dakota | 93.22% |
| Wyoming | 90.30% |
| Washington | 89.95% |
| Pennsylvania | 88.93% |
| Utah | 88.80% |
| Maine | 88.61% |
| Montana | 88.16% |
| Vermont | 87.58% |
| Colorado | 87.51% |
| North Dakota | 87.14% |
| West Virginia | 85.93% |
| Iowa | 85.92% |

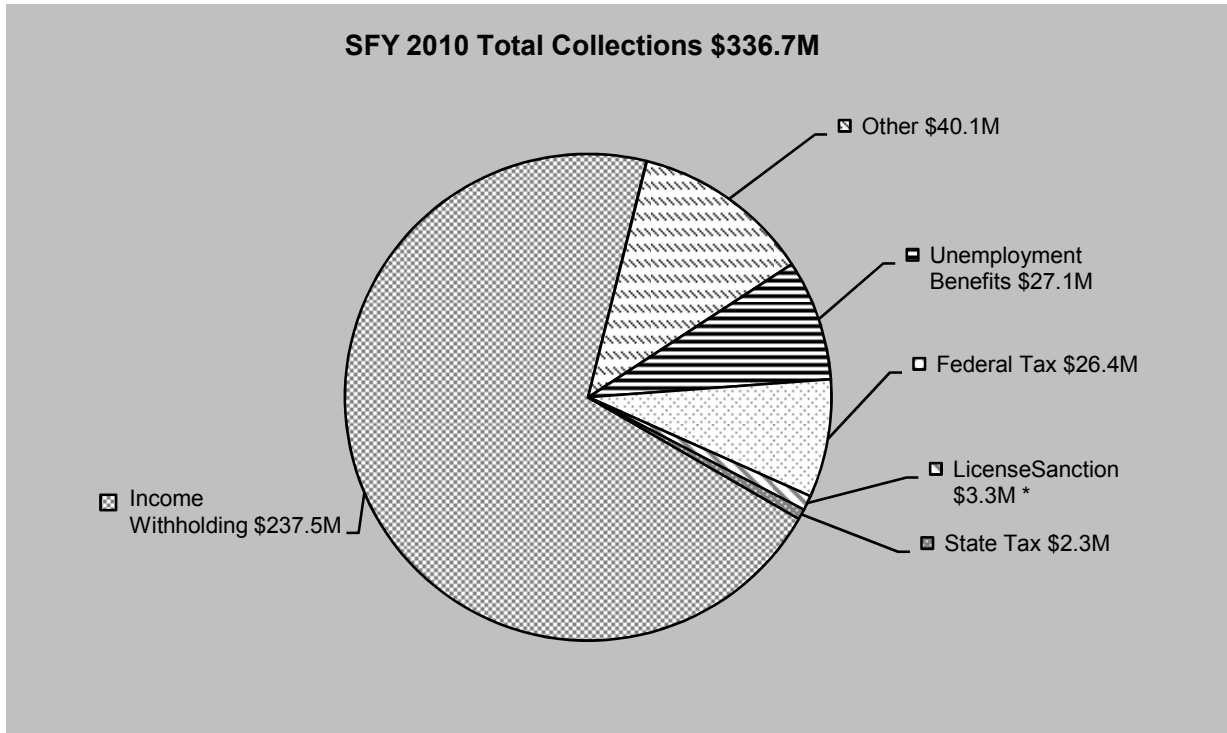
**Current Collections of the States with the
Highest Percentage of Court Ordered Cases
FFY 2008– Audited Data***

| | Percent of current collections |
|----------------------|---------------------------------------|
| Pennsylvania | 78.90% |
| North Dakota | 75.85% |
| South Dakota | 72.49% |
| Wyoming | 70.70% |
| Iowa | 70.03% |
| Vermont | 67.01% |
| Washington | 66.39% |
| Utah | 65.70% |
| West Virginia | 65.57% |
| Montana | 63.99% |
| Colorado | 61.93% |
| Maine | 59.59% |
| Alaska | 58.13% |

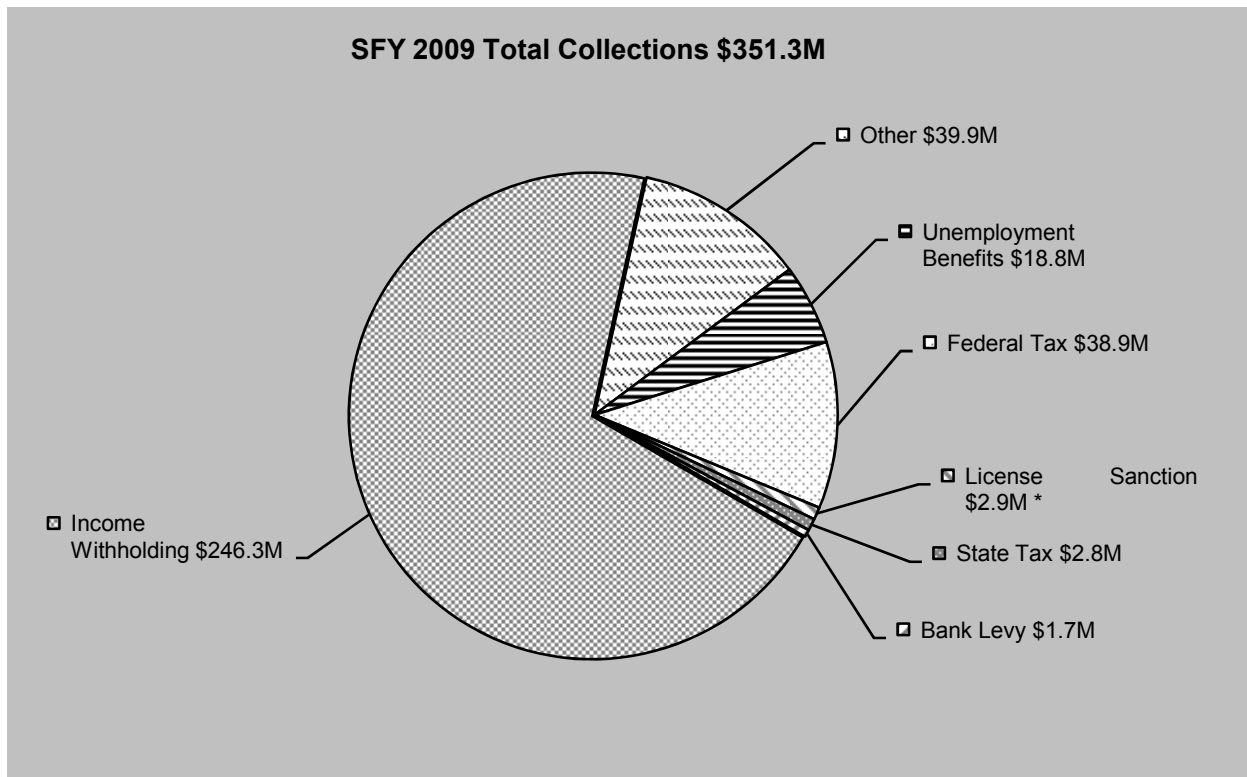
*The FFY 2009 audited report has not been released for all states. Iowa's FFY 2009 data has been Federally determined to meet data reliability standards. Iowa's FFY 2009 court ordered rate was 84.55% and Iowa's current support collections rate was 69.87%.

Improve total collections

About 71% of the total collections came from income withholding orders, which requires sending income withholding notices to secure the collections. In SFY 2010, employers reported over 641,018 newly hired employees, of which income withholding collections were secured on over 6 percent of these newly hired employees. Income withholding information and other collection methods are listed on the following page:



* License sanction collections are limited to collections received in the first 3 months after the official notice or the certificate of non-compliance is sent.

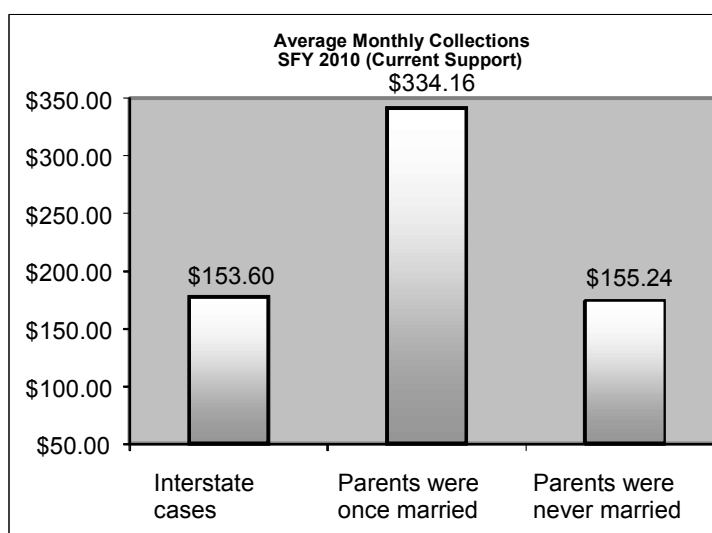
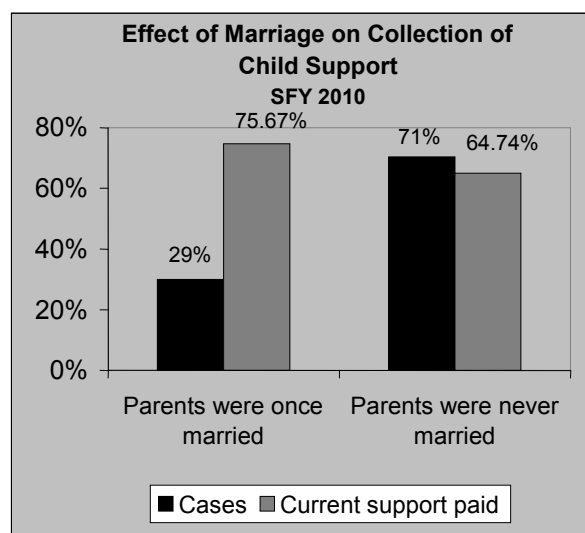


* License sanction collections are limited to collections received in the first 3 months after the official notice or the certificate of non-compliance is sent.

| Action | SFY 2010 | SFY 2009 |
|--|----------|----------|
| New income withholding orders filed | 22,470 | 26,983 |
| Income withholding notices sent to employers | 127,432 | 143,029 |
| Payors certified for Federal tax refund offset | 70,800 | 72,835 |
| Payors certified for state tax refund offset | 79,376 | 80,451 |
| Administrative levy notices sent to financial institutions to collect child support from bank accounts | 6,185 | 6,527 |
| License sanction notices issued to payors (driver's licenses, vehicle registration, fishing and hunting licenses, and professional licenses) | 32,884 | 28,031 |
| Notices sent to intercept insurance payments | 586 | 813 |
| Enforcement by the US Attorney for Federal prosecution | 259 | 257 |
| Referrals to the Department of Revenue for those cases where other collection methods have been exhausted | 5,079 | 5,104 |

Strategies used to improve collections are:

- Identifying effective and efficient methods to serve customers
- Identify the most effective way to work interstate cases
- Focus on an “easy to do business” relationship with employers
- Continue to search for tools to enhance our ability to locate payors and their assets



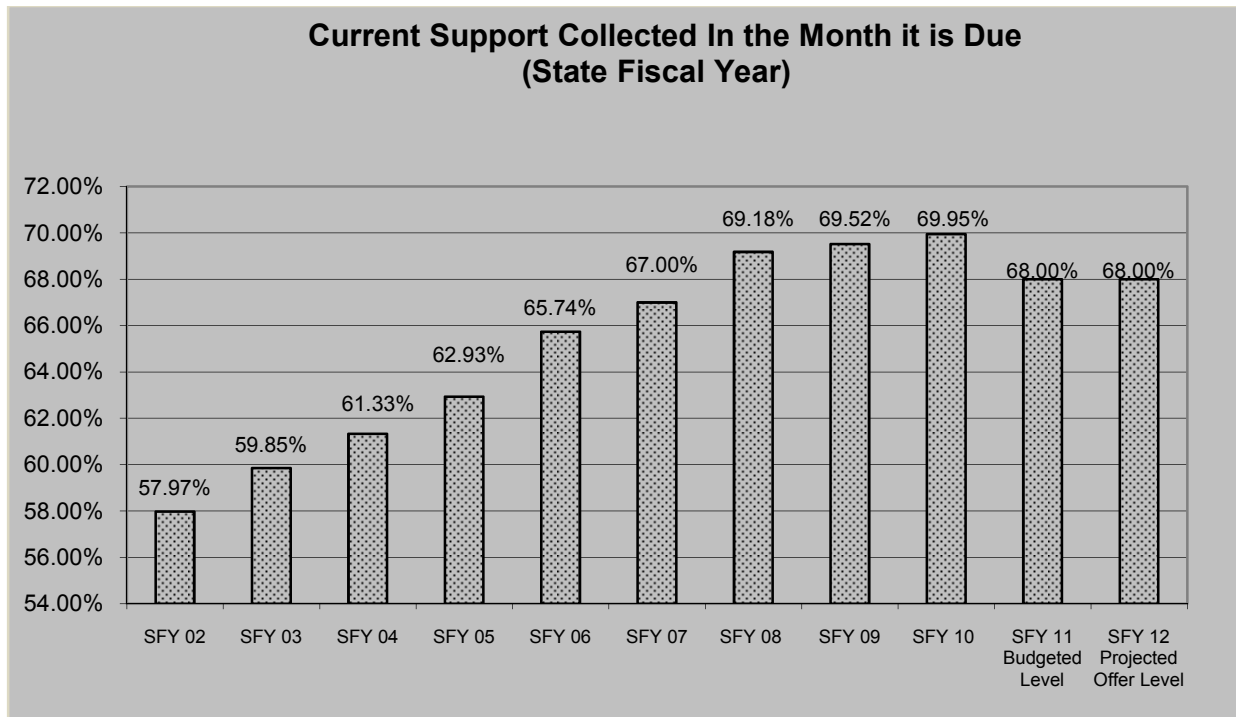
Other services provided

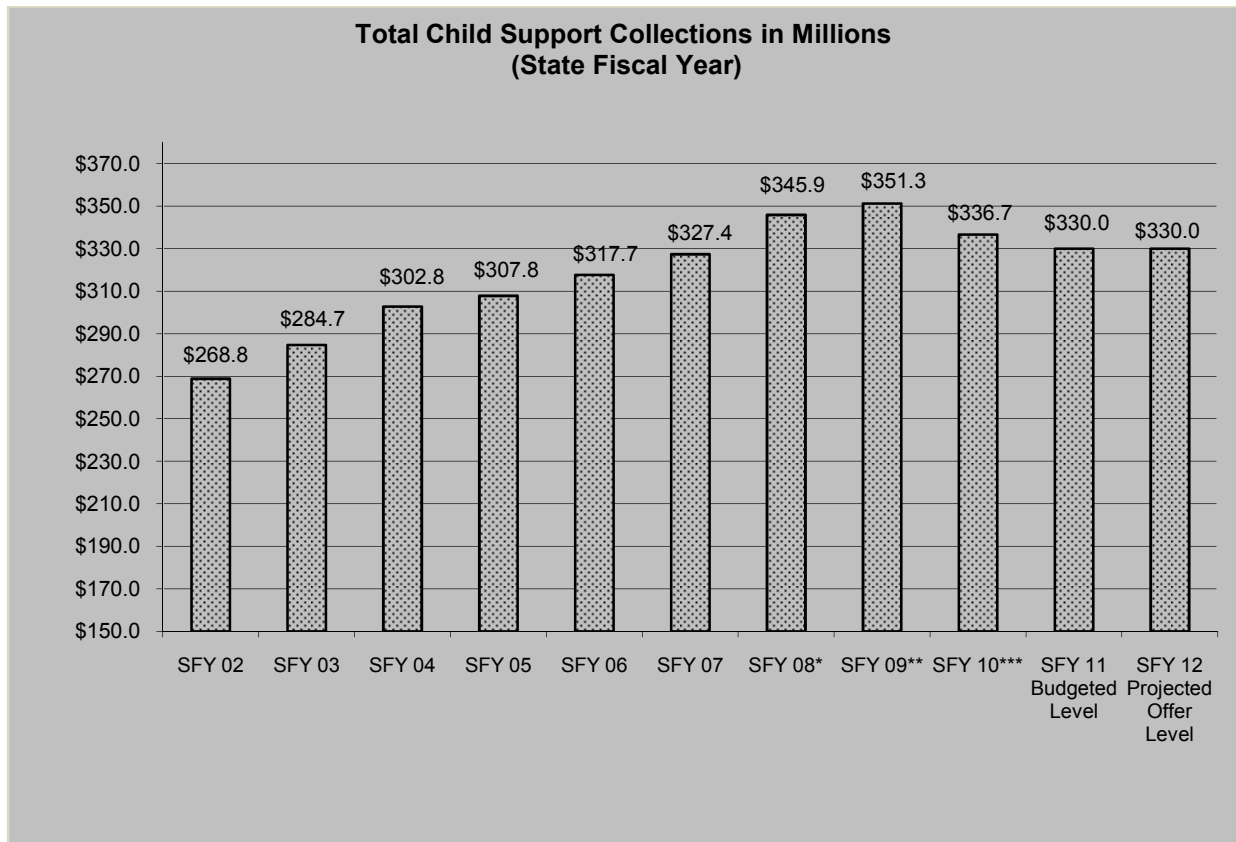
Support can be modified through four different processes including Review and Adjustment, Administrative Modification, Cost of Living Alteration, and Suspension of Support.

| Modifications | SFY 2010 | SFY 2009 |
|------------------------------|----------|----------|
| Requests received and worked | 9,525 | 7,843 |
| Orders modified | 4,825 | 4,789 |

Many aspects of Iowa's CSRU are recognized either nationally or statewide as innovative ideas:

- Recipient of the 2009 Outstanding Program of the Year Award from the National Child Support Enforcement Association (NCSEA).
- Recipient of the 2009 Commissioner's Award for Innovative Technology from the federal Office of Child Support Enforcement (OCSE) for Iowa's document imaging technology development and implementation.
- Only state to establish a one-stop service center for employers and other income providers who withhold and remit support.
- Only state to establish a joint office with other states (Nebraska and Illinois) to enforce interstate cases.
- Recipient of an award for Exemplary Employer Website from the Federal Office of Child Support Enforcement.
- Received a competitive grant to transfer paper documents to electronic data transmittable with the Courts.
- Incorporated a statewide practice of focusing on customer service while establishing and modifying orders by using a holistic customer-friendly "Connections Equals Collections" approach.
- Received a competitive grant to data mine income withholding to develop payor groups by payment pattern to identify strategies to prevent a break in payments.





* Reflects one-time Federal economic stimulus payments received in the spring of 2008.

** Reflects one-time ARRA payment.

***Reflects one-time \$250.00 ARRA payment for certain Federal beneficiaries for Veterans.

The caseload has increased over 3 % from SFY 2005 to 2010 while total collections have increased over 9 %. Support collected in the month it is due has increased 11 % over the same time period.

| Increase in: | 2005 | 2010 | 2005 to 2010 Percentage Increase |
|---------------------------------------|---------------|---------------|-------------------------------------|
| Caseload | 187,000 | 192,758 | 3.1% |
| Current Support Paid in the Month Due | 62.93% | 69.95% | 11% |
| Collections | \$307,751,419 | \$336,675,284 | 9% |

How:

CSRU is a statewide agency with 474 funded state and 57 filled county employees in 23 field offices located throughout the state, as well as a centralized employer call center and a central operations, IT, and policy unit.

In order to secure the necessary orders of paternity and support, primary activities are locating individuals and their assets and applying this information to case actions. To achieve these results, CSRU utilizes various location matching methods with entities such as public utilities, cell phone companies, financial institutions, Federal and state parent locator sources, jails, prisons and the Courts.

CSRU also works with employers, labor unions, Social Security Administration, and Iowa Workforce Development to obtain location and wage information.

CSRU also contracts with the Attorney General's office, counties across the state, genetic testing labs, process servers, financial institutions, hospitals, as well as other state agencies such as the Department of Justice, Department of Revenue, Department of Corrections, Department of Public Health, Department of Public Safety, and Iowa Workforce Development in order to meet our Federal performance requirements and to deliver these essential functions.

General Administration provides:

- Corporate oversight in the areas of fiscal, personnel and processing management for the more than 750 contracts in our program.
- Support in managing telephone systems in several of our offices, including our automated voice response system and helps support our needs in technology by providing imaging maintenance, local area networks, servers, along with support for our Federally certified mainframe, which is the largest in state government.
- A framework for legislative and constituent responses as well as assisting in processing necessary rules changes.
- Financial Accountability: Manage budget, accounting, Federal/State reporting, cost allocation, and audit coordination and resolution.

Results Achieved:

- Secure \$303.0M for families, \$24.9M (state share \$9.2M) estimated for FIP, and \$2.1M (state share \$1.6M) for Foster Care (state and Federal portions).

| Result: | SFY 2010 Actual Level | SFY 2011 Budgeted Level | SFY 2012 Offer Level |
|--|----------------------------------|------------------------------------|---------------------------------|
| Percentage of cases with paternity established so that children have two parents legally responsible for their care. | 90% | 90% | 90% |
| Percentage of cases with a court order so that there is an obligation to provide support. | 84.75% | 82% | 82% |
| Percentage of child support collected in the month due and not delinquent. | 69.95% | 68% | 68% |
| Total Collections | \$336.7M* | \$330.0M | \$330.0M |

* Reflects one-time \$250.00 ARRA payment for certain Federal beneficiaries for Veterans.

Sustaining service delivery assumes the level of funding requested in the offer as well as full funding of salary adjustment. If funding is insufficient in either area, results to be achieved will be modified to reflect the impact. This offer also assumes no further change to the policy base.

Impact of Proposed Budget on Results:

Current Results:

When parents do not live in the same household, income from both parents is needed to provide for a child's basic needs. CSRU secures paternity and orders for support and then enforces the orders. Monthly child support income strengthens and supports Iowa families to be able to provide these basic needs. Without this important income, parents struggle to provide a safe and healthy environment and adequate food for their children. Some parents must seek help from FIP and Medicaid.

Many families rely on the monthly child support they are receiving to provide for the basic needs of their children. Dependable monthly child support payments are essential for children. Of the child support payments CSRU collects, a small percentage is required to be used to reimburse the State of Iowa and Federal government for FIP expended. The majority of the support collected is sent directly to families. The average current support collection for cases enforced by CSRU is just over \$218.00* monthly. When CSRU is able to collect the entire amount of the obligation, it helps address in part the \$197.42* average monthly grocery bill and \$135.33 average monthly health care expenses for low-income families.

**This information obtained from Consumer Expenditures in 2008, U.S. Department of Labor, U.S. Bureau of Labor Statistics.*

CSRU's goal is to meet our Federal required performance measures and the needs of our customers despite the recession.

In order to meet the demands of customers with the limited resources we have, it is necessary to find efficiencies through streamlining efforts and operations efficiencies. These efficiencies are necessary in order to sustain current levels of service with a reduced staffing level.

Along with the challenges of maintaining current levels of service to our customers within a difficult economy, we continue to experience a noticeable increase in customer requests to have their court orders reviewed and adjusted, which is consistent with the recession. Customers are pointing out concerns with the current process in regard to the length of time it is taking to complete the requests. Further demands on resources will only serve to magnify this issue.

We have also seen a dramatic increase in the payments being received from unemployment benefits along with a decline in the new employer hires.

ARRA and One-Time Funding:

To sustain existing services and growth in programs this offer assumes that status quo as well as all one-time funding such as the cash reserve fund, underground storage tank fund and government stabilization and stimulus dollars are fully replaced. If these dollars are not available in SFY 2012, there will be significant program reductions and negative impacts such as elimination of services, disenrollment of clients, implementation of wait lists, and the possible closure of facilities. If funding is insufficient, results to be achieved will be modified to reflect the impact. The lack of backfilling these "one-time" funds will also mean a service delivery reduction of 11.23 FTE's, resulting in a loss of \$6.6M in financial support for children and families.

In addition to the one-time funding in SFY 2011, Congress restored the ability to secure a 66% program match on earned child support incentives effective from October 2008 to September 2010. Since the federal match on incentives ends on September 30, 2010, the "ARRA restoration" funds are

being requested in order to restore the child support appropriation as a result of the loss of FFP on incentives. The lack of backfilling these “ARRA restoration” funds would have to be absorbed by reducing 74.68 FTE’s, resulting in a loss of \$43.7M in financial support for children and families.

This offer seeks funding for increased operating costs, replacement of “one-time” funding in SFY 2011 and the loss of federal match in performance incentives.

Legal Requirements:

Federal:

All states must provide child support services in order to receive Federal TANF funds.¹ Iowa’s TANF funds are approximately \$131M annually. In addition, no less than 90% of the children served by the child support program must have paternity established to avoid a penalty to the state’s Federal TANF funds.² TANF funds are used to support FIP.

State:

CSRU must provide establishment and enforcement services for public assistance and non-assistance cases.³

¹ 42 U.S.C. 602(a)(2)

² According to TANF Maintenance of Effort (MOE) requirements; 42 USC §§ 609(a)(8) and 652(g).

³ The Iowa laws and rules governing activities of CSRU are found at Iowa Code Chapters 252B, 252C, 252D, 252E, 252F, 252H, 252I, 252J, 252K and 441 IAC – Chapters 95, 96, 97, 98 and 99.